

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20335
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

[Redacted] (petitioners) protest the Notice of Deficiency Determination issued by the auditor for the Idaho State Tax Commission (Commission) dated March 29, 2006. The Notice of Deficiency Determination asserted additional liabilities for Idaho income tax, penalties, and interest in the total amounts of \$4,445, \$3,478, \$3,681, \$2,958, and \$2,539 for 1998, 1999, 2000, 2002, and 2003, respectively.

The auditor made numerous adjustments to the petitioners' income tax returns. They include:

(1) For 1998, some of the wages reported for both spouses were reclassified as self-employment income.

(2) The auditor added income that was omitted from the petitioners' income tax returns including interest income, dividend income, capital gain income, gambling income, and non-employee compensation.

(3) Due to the lack of documentation, several types of deductions were denied or adjusted including business expenses, health insurance premiums, technological equipment donation, insulation of an Idaho residence, gambling losses, charitable contributions, and long term care insurance.

For several of the years in question, the petitioners reported gambling winnings and losses. Gambling losses are deductible only to the extent of reported gambling winnings. Internal Revenue Code § 165(d). For the most part, the petitioners were not able to verify the amounts (if any) of their gambling losses. For 2000, [Redacted] added gambling winnings to the petitioners' income in the

amount of \$23,790. However, it appears that, in the final settlement [Redacted]gambling losses were allowed to the extent of the reported gambling winnings. Accordingly, the Commission finds that this adjustment should be made to the auditor's computations.

For 2002, the petitioners reported gambling winnings of \$17,255 and claimed a deduction for losses in the same amount. The auditor disallowed the deduction for the losses in the Notice of Deficiency. Subsequently, the petitioners obtained and submitted documentation to establish gambling losses for 2002 in the amount of \$4,052. This modification of the auditor's computations needs to reflect the loss of \$4,052.

For 2003, the petitioners reported gambling winnings of \$6,900 and claimed a deduction for gambling losses in the same amount. The auditor disallowed the deduction due to the lack of documentation. The petitioners subsequently submitted documentation showing that they had losses in excess of their reported gambling winnings. Therefore, the auditor's denial of the \$6,900 deduction for gambling losses for 2003 is reversed.

WHEREFORE, the Notice of Deficiency Determination dated March 29, 2006, is hereby MODIFIED, and as so modified, is APPROVED, AFFIRMED, AND MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the petitioners pay the following tax, penalty, and interest (computed to June 15, 2008):

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
1998	\$2,577	\$644	\$1,576	\$ 4,797
1999	2,107	527	1,135	3,769
2000	756	38	347	1,141
2002	2,085	104	662	2,851
2003	1,616	81	428	2,125
			TOTAL	<u>\$14,683</u>

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the petitioners' right to appeal this decision is enclosed.

DATED this ____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2008, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

Receipt No.
